

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 IO-10 ISO-00 CAB-02 CIAE-00

COME-00 DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 CEA-01

FRB-03 H-01 L-02 LAB-04 NSC-05 PA-01 AID-05 CIEP-01

SS-15 STR-01 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02

OMB-01 MC-02 /097 W

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P R 051425Z MAR 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 8002

INFO USMISSION EC BRUSSELS

USMISSION GENEVA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E. O. 11652: N/A

TAGS: ETRD, BR

SUBJECT: RECENT GOB TARIFF INCREASES; BRASILIAN DECREE LAW

NO. 1366

REF: A. STATE 45529; B. BRASILIA 1396; C. STATE 22053

1. SUMMARY - CHIEF OF BRAZILIAN FOREIGN MINISTRY'S ECONOMIC DEPARTMENT, CABRAL DE MELLO, EXPECTS QUICK PROMULGATION OF GATT SCHEDULE 3 BUT UNABLE TO SAY IF AIRCRAFT ITEMS WILL BE INCLUDED. FOREIGN MINISTRY WILL PROMPTLY EXAMINE US PRESENTATION ON AIRCRAFT TARIFFS WITH OTHER AGENCIES. END SUMMARY.

2. ON MARCH 3, ECON COUNSELOR MADE PRESENTATION ON CIVIL AIRCRAFT TARIFFS TO CABRAL DE MELLO, CHIEF OF FOREIGN OFFICE ECONOMIC DEPARTMENT, PURSUANT TO REFTEL A. CABRAL DE MELLO (WHO WAS ACCOMPANIED BY ACTING CHIEF OF THE TRADE
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NEGOTIATIONS DIVISION) SAID HE WOULD HAVE TO REVIEW THE

ISSUE WITH OTHER MINISTRIES.

3. IN ASIDE, CABRAL DE MELLO NOTED THE RECENT SECOND AGREEMENT (NOT YET ANNOUNCED) BETWEEN PIPER AIRCRAFT AND EMBRAER FOR PRODUCTION OF LIGHT SINGLE-ENGINE PLANES IN BRAZIL, COMMENTED HE ASSUMED US APPROACH WAS MOTIVATED BY STRICTLY COMMERCIAL AS MUCH AS BY GATT CONSIDERATIONS. COMMENT: PRODUCTION OF TWIN-ENGINE AIRCRAFT UNDER EARLIER PIPER AGREEMENT WITH BRAZILIAN GOVERNMENT COMPANY EXPECTED TO START IN AUGUST; MANUFACTURE OF SINGLE-ENGINE PLANES BEFORE YEAR END. PRODUCTION OF THE US-BRAZILIAN VENTURE WILL BE SUFFICIENT TO MEET DOMESTIC DEMAND, EFFECTIVELY PREEMPTING BRAZILIAN LIGHT AIRCRAFT AND SPARE PARTS MARKET, AND ULTIMATELY GIVING BRAZIL AN EXPORT POSITION THROUGH BUY BACK AGREEMENT WITH PIPER.

4. CABRAL DE MELLO SAID THAT US PRESENTATION ON ARTICLE XXVIII CONCESSIONS HAD BEEN REVIEWED AT THE CABINET LEVEL AND THAT FINANCE MINISTER SIMONSEN HAD AGREED TO INTERVENE PERSONALLY. HE EXPECTED PROMULGATION OF GATT SCHEDULE 3 AT ANY TIME, BUT DID NOT KNOW WHETHER AIRCRAFT ITEMS WOULD BE INCLUDED.

5. FROM DISCUSSIONS WITH ARY PINTO, ADVISOR TO FINANCE MINISTER SIMONSEN, AND WITH CIRO CURY, FINANCE MINISTER'S SENIOR TRADE SPECIALIST, EMBASSY UNDERSTANDS THAT DECREE LAW IS, INDEED, BEING PROCESSED AT THIS TIME. EMBASSY'S UNDERSTANDING, HOWEVER, IS THAT PROMULGATION WILL HAVE TO BE SUBMITTED TO OFFICE OF THE PRESIDENT. WE EXPECT THIS SUBMISSION TO BE PROFORMA SO THAT PROMULGATION OF STATUTE CAN BE EXPECTED VERY SHORTLY. CRIMMINS

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